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First Phase of Largest College Aid Expansion in Six Decades Kicks In

(Washington, D.C.) -- In September 2007, the New Direction Congress enacted the College Cost Reduction and Access Act. Specifically, this Act provides more than \$20 billion in federal student aid over the next five years and provides that interest rates on need-based (subsidized) federal student loans will drop from 6.8% to 6.0% on July 1st – making these loans more affordable for millions of low- and middle-income students. This is the first step towards halving these interest rates – under the Act, between now and 2011, these rates will continue to decrease until they reach 3.4%.

"Increasing college costs, coupled with difficult economic times, create pressures that close the door to college opportunities for way too many young Americans,"
Carnahan said.

"Hopefully, these positive steps taken by Congress will encourage those wanting to continue their education to stick it out and borrow the money they need to stay in school."

This cutting of the interest rate will benefit the 5.5 million students who borrow need-based federal student loans each year. **This interest rate cut will save the typical four-year student starting college this fall (with need-based student**

loan debt) about \$2,570 over the life of his or her loan.

For the 2008-2009 academic year, in addition to the interest rate being cut to 6.0%, the College Cost Reduction and Access Act will also:

- Increase the Pell Grant scholarship by \$490 (raising the maximum award to \$4,731).
- Provide up-front tuition assistance of \$4,000 each year for students who commit to teaching high-need subjects or in high-need public schools upon graduation.
- Encourage and reward public service by providing loan forgiveness after 10 years for public servants, including military service members, first responders, firefighters, nurses, public defenders, early childhood educators, librarians, and others.